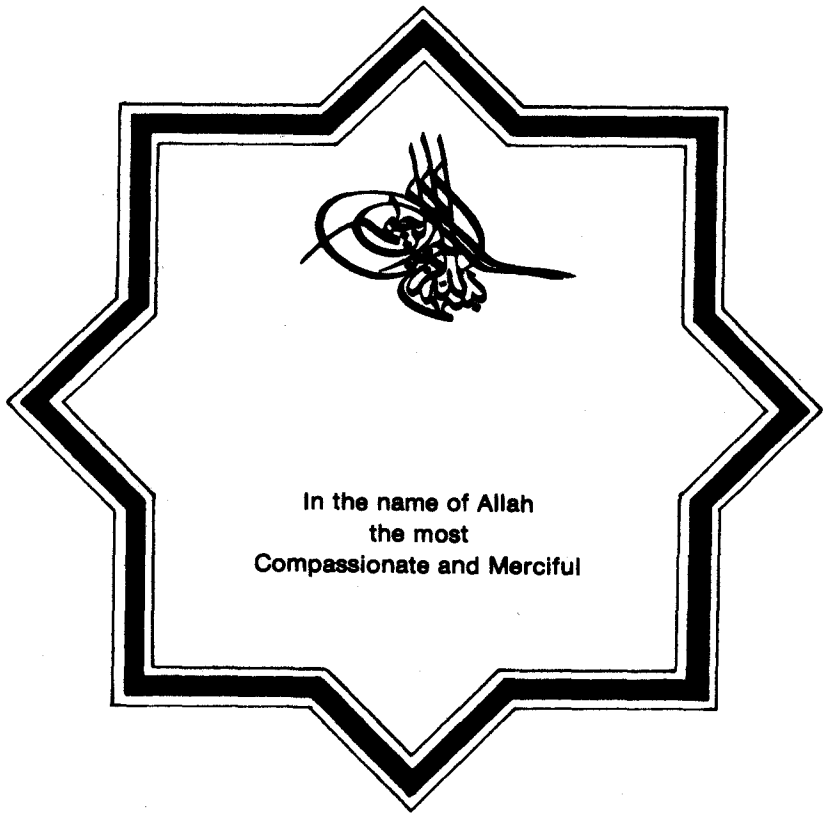

In the name of Allah
the most
Compassionate and Merciful

The Center for the Publication of the U.S. Espionage Den's Documents
P.O. BOX: 15815 - 3489
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In the name of Allah
the Compassionate, the Merciful

In the web of relations between the Shah's oppresive regime and U.S. rulers, the military cooperation between the two were a conspicuous dark spot on the record of history. Throughout their military cooperation a reality apparently more deeply - rooted than the actual security and defence needs of Iran was the Shah's financial misappropriations and the role of arms dealers in this respect. The documents presented here represent only a small segment of the records of these middlemen, the internal rivalry between them and the activities of U.S. cooperations that have been parties to arms sales contracts.

The economy of the industrial world may be described as a weapons' economy. Armaments constitute the principal industrial export of the developed countries to the Third World. The largest number of arms in the world are purchased by poor nations. In 1973 of all the arms transferred in the world 85% went to the Third World. In 1947 there was a 40% increase in the arms purchases in the Middle East, as compared to the year before. In 1975 again, there was a 40% increase in this field. The position of the arms industry in Western economies is even more important than that of oil. Arms constitute one of the most lucrative channels for the transfer of national welth and local capital from the poor states to the West. The management and marketing of the arms trade, as well as its production mechanism and expansion drives, are very subtle and exploitive. Aggresive marketing and the growing global demand for military equipment and products is directly linked to the interventionist and strategic policies of the industrial world. The injections of crisis in to the Third World, aimed at boosting the Wests' arms sales, is only the most obvious aspect of the arms relationship between the producers and the buyers.

The acquisition of arms by deprived nations uses up a large precentage of their national income. During financial emergencies, these governments are forced to cut back on expenditures for education and cultural development in order to pay for their arms purchases. Furthermore, the volume of arms

purchased, the modifications in defense systems and the growing costs of spare parts always cause a serious blow to the economies of these countries. Yet western theoreticians have been propagating the opposite. They clothe this looting in a facade of legitimacy and deceit. They argue that military industries and military expenditures are a means of growth and development, adding that there is a strong constructive link between military expenditures and the pace of economic development. They reason that the greater the military and defense expenditures a country undertakes, the more favourable shall be the environment for its economic development. One of the aims of the arms producers is to create new markets for their products. Some even believe that the 1973 oil price hike was, in essense, caused by the instigations of American arms producers. In support of their view, they point to the fact that in a matter of only a few years, the oil producing states effected the largest financial transfer in the worlds' economy. More precisely the oil exporting states transferred this colossal amount to the U.S. for the purchase of arms, thus filling the bank accounts of the owners of the arms industries with windfall oil revenues.

Among these, mention must be made of the Shah's astronomical procurements. The Shah undertook to procure modern and sophisticated weapons, consequently bringing a large number of military experts and advisors in to the country for the related training and readiness programs. For example, one deal alone between the Shah and the U.S. involved a 10 billion Dollar arms purchase. It should be borne in mind that this was the official, announced value of the deal, constituting only a fragment of the Shah's overall military expenditures. The large amounts of money spent for the purchase and maintenance of spare parts and equipment, and the huge amounts that went to the dealers and middlement, all add up to even larger amounts. Inside the arms market, the rivalry among the Mafia dealers and competitors is so intense that they are even prepared to eliminate each other to achieve their ends that is, of course, if the weapons involved are not second hand obsolete or bogus. Countries that need weapons or those willing to spend part of their national wealth on armaments have no choise but to enter the existing arms market and play the game according to its dirty rules.

It is worthy of note that, due to various factors, the inherent nature of the operations of this market differs from that of all other commodity markets. A careful observation reveals that the complexity and uniqueness of the arms Bazaar exists primarily because of the strategic objectives of the arms producers. These objectives have been formulated within the framework of the global and long-term interests of certain politicians and investors.

The weapons market is characterized by deals which are secret, intricate, ambiguous, fraudulent, deceitful and wicked. More specifically, the market can be categorized by five principal features:

1- Ground-laying and preparation. This is carried out by the stooges of the arms- producing states, and aims at expanding the arms market. The creation of an atmosphere of political intimidation and tension in the various regions of the world in the form of internal political conflicts, coup d'etats, border disputes, regional aggressions, strategic threats and cold wars, all lay the groundwork for lucrative arms sales. The above also determine the kind and diversity of the needed weapons. Militarism is another unusual development that has emerged in the countries supported by the West since World War II. This phenomena is a principal source of the creation of military economies. The maintenance of tension and instability is the simplest method of increasing the arms markets of the industrial world, both East and West.

2- Corrupt monetary and financial relations. This dominates the arms procurement process, beginning with the steps to obtain production technology blueprints and plans through to the sale of such systems. Financial misappropriations, bribery and the transfer of large volumes of money through secret channels aimed at evading taxes and customs duties are all part of this game. International arms-producing cartels impose expensive military agreements on the deprived nations through the payment of large bribes to their rulers and elite, as well as through the recruitment of other influential, leading figures of a country.

3- Replacement and modernization. The itense rivalry between arms manufacturers leads to the daily production of newer and more complex systems.

Innovation, modifications and replacements of systems bring in large profits to the arms producers. It is for the purpose of laying the groundwork for future sales of modern systems that arms producers first sell their older weapons.

4- Bans on the transfer of production technology, and the execution of destructive policies aimed at weakening and bankrupting, local arms industries. These policies seriously prevent the deprived states from acquring the technology necessary to meet their own military defense requirements. Sometimes the interference is so forceful that domestic production is never attained.

5- The use of middlemen and dealers. These are the elements that carry out the policies of the arms producers and engage in dishonest activities. They

are, in fact, the principal suppliers of the arms market who, aside from having access to centers of power, also possess political and legal influence. Coming from the importing countries, these dealers are generally viewed as the fifth column of the business who are knowledgeable about the conditions and developments of these societies. In fact, they impelement the policies and act as the mercenaries of the owenrs of the arms manufacturers.

One of the principal aims of the arms producers had been the establishment of links with well known and influential Iranian arms dealers attached to the Shah's ruling clique. Through them, the large bribes passed to professional dealers by the arms producers faciliated the long-term interests of looting oil revenues and thus guaranteeing the future investments of the arms cartels.

The American view of the Shah's regime, which pervaded with corruption and bribery was rooted in the existence of similar features in the U.S. government, which also shows the common features of the two systems. A study of recent documents reveals that American corporations were confident that unless they bribed individuals, such as General Khatami, and General Toofanian, they would not be able to sell their weapons to Iran! The Shah, himself a leading thief and looter, who enriched the international banks with the plundered money belonging to the deprived people of this country, openly allowed people like Khatami and Toofananian to plunder the wealth of the Muslim people of Iran. The Shah's protest, when made, were raised only against the petty dealers, whose rooting he claimed endangered national security!

It is interesting to note that whenever the issue of removing these small-time dealers was raised, Americans interpreted this as being potentially disastrous for U.S. corporations, because they viewed them as the channels for their successes in Iran and as the means for getting Iranian oil revenues.

Toofanian occassionally protested concerning arms purchases. What he and others like him complained about was why corporations such as Northrop and Grumman bypassed him as the principal arms decision maker and used such men as the Lavi brothers as middlemen instead. Ironically, he too was eventually portrayed by the local and international press as the principal bride- receiver, and was finally black-listed even by the master-thief himself, the Shah.

Although it is not possible in this brief article to describe all that occurred in those days, a glance at a small portion of what went on throws some light on the whole picture. And while the plunderous and colonial activities of U.S. multi-national corporations for several decades calls for the publication

of innumerable books on the subject, we shall only mention a few examples of the facts here.

The story began when the American aircraft manufacturer Grumman, the producer of the F-14 Tomcat jet fighter, started sliding in to bankruptcy. The Iranian government came to rescue the Grumman company by considering providing it a loan valued at 75 million Dollars.

But Grumman did not seem content with this and planned to sell its Tomcats to the Iranian Air Force. To achieve this, it initially hired the Lavi brothers as its go -between. It was said that the Lavi had already been in contact with a member of the Shahs' family, Shahram. Consequently, in return for a promise of 28 million Dollars by Grumman, the Lavi brothers succeeded in preparing the ground work for the sale of thirty F-14 fighters to Iran. In november 1972, that is a year prior to Iran's decision to buy the planes, an agreement was reached between Grumman and the Lavis. The public learned of this deal in February 1974, a full year after the procurement decision by Iran. Evidence suggests that the Lavis had been Grummans' links with general Khatami. It was precisely because of this covert relationship that the Iranian government had decided earlier to rescue Grumman from bankruptcy. This deal included others too. Abolfath Mahvi, a founder of Iran Aircraft Industries and president of the computer firm ISIRAN, and also a close friend of General Khatami, was one of them. As an agent for some 17 U.S. corporations such as Rockwell, Litton, General Electric, Northrop and Grumman, Mahvi received huge profits from their transactions. General Khatami and General Khademi, too, were viewed by Americans as Mahvi's principal partners. Dahesh, another dealer who was disfavored by General Toofanian, had told the Americans that Mahvi had been introduced to Grumman as the principal commissioner, and that Grumman recognized him alone as its agent. Mahvi was of course, a known figure in the field. He had played a key role in the sale of F-5 jet fighters to Iran, since while Iran had initially committed itself to buy only 36 F-5 jets, it eventually increased this number to 146. But while the Lavi brothers were still agents for Grumman, another newcomer entered the scene: Albert G. Fuidge in fact the Lavis, who had received 28 million Dollars as a commission from Grumman for the sale of F-14 jets to Iran, announced that they had been forced to pay a large part of their commission to a man who claimed to have been assigned as an intermediary by two high ranking Iranian officials (General Hassan Toofanian and General Mohammad Khatami, (the Shah's son-in-law). Within two month, the new dealer, Albert. G. Fuidge, succeeded in adding 50 additional F-14s to the Iranian orders, and

consequently told the Lavis to hand him 66% of the commission they had received in that deal. Sometimes before, Fuidge had assumed his role as agent and after the revelations of Grummans's 28 million dollar payment to the Lavis in 1974 a high-ranking Iranian official, perhaps Mahvi, told Grumman to stop working with the Lavis. Following this, Grumman president Peter. G. Ouram publicly announced that he did not know of any commission payments to Iranian officials, while at the same time acknowledging such payments by the Lavis to Fuidge. In fact Ouram's claim of ignorance of payments to Iranian officials demonstrated his concern for future contracts. In fact as documents show, the Americans were fully aware that the Lavi brothers and Fuidge were mere covers for the activities of others, who were none other than influential Iranian generals. At this time there was a keen rivalry in full swing between Mahvi and Toofanian. But despite his knowledge of the close friendship between Khatami and Mahvi, Toofanian didn't dare engage himself against the Shah's son-in-law, General Khatami. And so the bounty went to Mahvi. Toofanian soon informed the Shah of the involvement of the Lavis and Mahvi and they went on his black list. Lavi, who was in close contact with 17 U.S. corporations found out about the Shah's move but by writing a «repentance» letter to him, soon got his name off the list.

In pursuit of his mission, Toofanian had Grumman's 28 million dollar payment to the Lavis printed in the press, claiming that the payments amounted to fraud against Iran, and even threatened to sue the American aircraft manufacturer which had just stepped out of its nearbankruptcy state through the 2.2 billion dollar sale of F-14s to Iran. Toofanian next went to the U.S. military, advisory group in Iran and, by showing Grumman's two six million dollar cheques paid out to the Lavis, demanded the end of the use of middlemen in government contracts. He concluded his talk by telling them that because of his links with Grumman and Northrop, he had informed the latter that only he, in the capacity of deputy War Minister, was the sole representative of the Iranian government with the U.S. government. It is clear that Toofanian wanted to be the lone ranger in the field and, as he couldn't tolerate any rivals, he worked to eliminate every single intermediary dealer on the scene. But it appears that the U.S. companies were fully aware of the corrupt nature of the Shah's regime and thus more or less ignored the generals' wishes, and, despite the Iranian government's official announcement banning the use of arms intermediaries, these corporations continued their deals through dealers who acted as their influential communication bridges. It is interesting that the state of affairs became so serious that

Americans themselves were alarmed by limits on the activities of their own corporations and the debated eliminations of dealers and middlemen, and viewed such limitations as being detrimental to their future operations.

All said Toofanian did not step out of the mess an angel, as his rivals bit into him to get him off the scene too. One dealer, Dahesh, who had been alienated by Toofanian earlier, revealed to members of the American Den of Espionage in Tehran (the U.S. embassy) that Toofanian had received fantastic commissions in the Irano-Indian steel project and in the purchase of French patrol boats, and he even assured them that the general would soon fall from favor. In fact, it did turn out as Dahesh predicted. During the height of the Iranian Muslim nations' struggle, Toofanian's name appeared in the local and foreign press as an famous bribe-receiver.

A glance at the activities of American companies that aimed at penetrating and controlling Iran's markets reveals the extent of corruption and oppression that exists in the American system, a system which is primarily composed of multinational corporations. And even though the system claims to make reforms and amendments through the regular presidential changes, the people of the world have reached the conclusion that they are mere puppet shows and that the real actors of the system are those very plundering companies. To demonstrate the situation, some figures of bribery payments are presented here:

1- Litton, Mc Donnel Douglas, Lockheed, (from the sale of P-3 aircraft) and Northrop Corporations all paid huge sums as bribes, aimed at entering the Iranian market to sell their weapons;

2- Aiming to promote the global sale of F-5 jet fighters, a company named Economic Development which was stationed in Swiss contributed 1.1 million dollars commission to a dealer through a person named Frank Du Francis.

3- A person called Kashfi, received two contributions of 3 million and 1.4 million dollars each from Philco - Ford Corporation for the conclusion of a radar sales contract.

4- Bell Helicopter paid 489000 dollars to an unknown person for its sales in 1973 (1000 dollars per helicopter).

5- Northrop Corporation made two contributions of 1.6 million and 450,000 dollars each in commission for a contract to a dealer.

6- Parviz Bushehri, a stooge of the imperial court, received 2.5% of a one billion dollar contract between GTE and the Telecommunications Company of Iran.

By studing avaliable documents and evidence, the conclusion reached is that the sale of modern weapons and arms primarily leads to the employment of coerceful policies by the imperialists, while dealers and middlemen play only a secondary role in this respect. This development may be expected to take new dimensions with the passage of time and with the intensification of military rivalry between states and the giant arms producers, and in those countries that have an extensive arms programs with the U.S.

Among the Arab reactionary regimes, especially Saudi Arabia and Egypt, this issue (i.e. the activity of dealers in the sale of military equipment and huge bribes) must exist at very deep levels. And it is in these very countries that American arms producers pursue their political, military and economic interests through their influential and known dealers.

Recent documents show that the system ruling America is based on bribery, corruption and crime, and that what remains of it today is a mere paper tiger. The attempts of U.S. rulers to regain their lost power and influence with the aim of plundering the wealth of the deprived and oppressed nations, and their drive at suppressing these societies, now faces a definite defeat in the light of the Islamic resurrection and its spread among the deprived nations of the world. American imperialism is rapidly experiencing its decline. By its realization of the grandeur and power of the Islamic Revolution of Iran, the U.S. attempted to approach it and establish links with its moderate forces aimed at exercising satanic policies. But it put its cart before the horse, and believing it could purse its interests through armaments, like in the days of the Shah's regime, it met a humiliating defeat which has made it withdraw like an injured serpent.

Muslim Students Following
the Line of the Imam

CONFIDENTIAL

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CARMISH MAAG TEHRAN IRAN
SECDEF, WASH DC//ISA//
INFO: SECDEF, WASH DC//OSD//
SECDEF, WASH DC//DSAA//
SECDEF, WASH DC//IRAN DESK//
JCS, WASH DC//J-5//
CINCEUR, VAIHINGEN GERMANY//DCINC//

CC:
NEA/IRN
4PM
DEFREP
A/M

CONFIDENTIAL [redacted]

Subject: Influence Peddlers (U)

(C) Approximately one year ago His Imperial Majesty made a strong statement to his procurement personnel to the effect that Iran was no longer an emerging nation and did not have to pay people for influence. Since then there has been a strong effort to purge every arms procurement contract and eliminate any and all elements that may appear to be finder fee-type charges. Several times within the last year, FMS cases have been examined quite carefully, even to the point of developing lists of individuals that had been involved in negotiations.

(C) Iranian officials have now prepared a detailed list of Iranian foreign nationals who are in this country but representing .

(USMAAO (HR PRECHT), ARAG READ FILE, ARJ-4/6

[redacted]ANTONE, CAPT, ARCG, 2177, 23Apr73

[redacted] J. BROWN, LTCOL, SJS, 2577, 23Apr73

CONFIDENTIAL

foreign companies or firms with affiliates outsidesthe country. His Imperial Majesty has personally reviewed this list in detail and decreed that none of these individuals will be paid any commissions or other values as a result of any armament procurement contracts.

3. (C) Military procurement officials have pursued this situation to the point of being emotional and have stated that they do not want any individuals who reside in Iran and represent outside companies to be present at any briefings, discussions, or negotiations when Armed Forces-type procurement may result. Just recently they have, on several occasions, taken a headcount and invited certain individuals to leave prior to discussions.

4. (C) Our officials in Washington are invited to suggest representatives of commercial firms dealing in military equipment who are planning trips to Iran to make proposals that they insure that there are no improper fees or commissions included in any proposal. They should also be advised to avoid bringing along local personalities when they come to make their presentations.

5. (C) We shall monitor this situation and report any significant deviations between these GOI intentions and actual practices.

6. (U) US Embassy concurs.

7. GDS 1979.

CLASSIFIED BY ch pfm
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF EXECUTIVE ORDER 11652 AUTOMATICALLY DOWNGRADED AT TWO YEAR INTERVALS
DECLASSIFIED ON 31 DECEMBER 1979

DEPARTMENT OF STATE

Washington, D.C. 20520

January 30, 1975

OFFICIAL-INFORMAL
LIMITED OFFICIAL USE

Stanley T. Escudero, Esquire
Political Section
American Embassy
Tehran

Dear Stan:

At your convenience would you put together some bio on a fellow named Maavi, who is (or was) head of Information Systems Iran (ISIRAN) and is setting up Iran Nuclear Electricity Company (INECO) and Iran Advanced Technology Corporation. I hope ECON has a good fix on him, since he appears to be the Shah's fair-haired boy for setting up companies to bring high technology industry to Iran. Anything that is available on Maavi's apparent right-hand man, E. Manavi, would also be of interest, as would something up to date on Shirin Agayan, the lawyer and business consultant.

This is primarily personal curiosity, since their names have been coming up with increasing frequency in conversations with businessmen, but the information should be useful in shedding light on power relationships. In any case I would prefer to do without information than to have any of these fellows think the Embassy was snooping on them.

Our best to Joy and Sasha. (Alejandro, that is)

Sincerely,

Byron B. Morton
Office of Iranian Affairs

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JOINT MESSAGEFORM

SECURITY CLASSIFICATION: CONFIDENTIAL

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BOOK NO | MESSAGE HANDLING INSTRUCTIONS | 9-8-11

FROM: CARMISH MAAG TEHRAN IRAN //ARCG//

TO: DSAA WASH DC
USEUCOM VAIHINGEN GER //J-4//
Secstate wmsg NNNN

file upon

CONFIDENTIAL

PERSONAL FOR LTGEN FISH (DSAA); MG RYDER (USEUCOM) FROM MG BRETT
NEA to mr NAAS

Return to Pol/M

SUBJ: Status of Mr Abolfath Mahvi (U)

1. (C) General Toufanian, Vice Minister of War, called General Brett today, 6 July, and informed him that the Shah had placed Mr Abolfath Mahvi on the black list. General Toufanian requested in the strongest terms that Gen Brett inform DOD of the Shah's decision

2. (C) Based on past experience, this clearly means that Mr Mahvi will not be acceptable as a representative and/or consultant of any foreign firms. We have no firm information at this end as to what US firms Mr Mahvi represents in any capacity, however, indications are he has in the past represented certain US commercial firms.

3. (C) Suggest this be given appropriate distribution. It is apparent from conversations with representatives of US contractors here that a most serious drive is on by the Shah and the GOI against the use of agents and/or individuals whose capacity can in any way be so construed. We see no letup in this effort, but

DISTR:

ARCG FILE, ARCG CHRON, USEMBASSY (MR PRECHT)

DRAFTED BY (TYPED NAME, TITLE, OFFICE SYMBOL, PHONE & DATE): MG DEVOL BRETT, ARCG, 2177, 7JUL75

SPECIAL INSTRUCTIONS:

TYPED NAME, TITLE, OFFICE SYMBOL AND PHONE: MG DEVOL BRETT, ARCG, 2177

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DATE-TIME GROUP

JOINT MESSAGE FORM

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BOOK | MESSAGE HANDLING INSTRUCTIONS

FROM:

TO:

firmly believe this will be the only way US firms can conduct business i.e. direct without agents and/or middlemen. DS in Iran. I anticipate other individuals of some prominance to be placed on the black list and it could spill over to US firms being so identified.

4. (C) Your views and comments would be appreciated. We in the MAAG have continuously and conscientiously always told US reps of the GOI feelings on this subject.

GDS-81

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BOOK | MESSAGE HANDLING INSTRUCTIONS

FROM: CARMISH MAAG TEHRAN IRAN//ARCG//

TO: SECDEF WASH DC//DSAA//

Seen by HM Charge

CONFIDENTIAL/SPECAT EXCLUSIVE

PERSONAL FOR THE SECRETARY: MR HOFFMAN (GENERAL COUNSEL) AND LTG FISH (DSAA) FROM MG BRETT.

SUBJ: STATUS OF MR. ABOLFATH MAHVI (U)

A. MY MSG 071035Z JUL 75 (C) OF THE SAME SUBJ.

B. MY MSG 081333Z JUL 75 (C) SUBJ: AGENTS AND AGENTS FEES.

1. (C) ON 8 JUL 75 IN A LENGHTY MEETING BETWEEN GEN TOUFANIAN, IRANIAN VMOW, AND MG BRETT, CARMISH-MAAG, TOUFANIAN REQ THAT I SEND THE FOLLOWING QUOTED LTR TO THE SEC OF DEF, WHICH IS IN ADDITION TO INFO REPORTED ON THIS SUBJ IN REF A.

QUOTE:

THE HONORABLE SECRETARY OF DEFENSE JAMES SCHLESINGER 8 JULY 1975

THE PENTAGON, WASHINGTON, D. C.

UNITED STATES OF AMERICA

DEAR MISTER SECRETARY:

CLASSIFIED BY ... EXEMPTION SCHEDULE OF EXECUTIVE ORDER 11652 EXEMPTION CATEGORY 58 SUBJECT TO GDS ... AUTOMATICALLY DOWNGRADED AT TWO YEAR INTERVALS ... DECLASSIFIED AFTER 12 YEARS

DISTR:

AMAG READ | ARAG FILE | AMEMB(MR PRECHT) | ARJ4/6 CB

AMAG CHRON | ARCG FILE

TYPED NAME, TITLE, OFFICE SYMBOL, PHONE & DATE	SPECIAL INSTRUCTIONS
MG BRETT, MG, USAF 846786 CHIEF, ARMISH-MAAG 8 JUL 75	
TYPED NAME, TITLE, OFFICE SYMBOL AND PHONE BRETT, MG, USAF, Ch, ARMISH-MAAG, ARCG 846786	
SIGNATURE	SECURITY CLASSIFICATION: CONFIDENTIAL / DATE TIME GROUP

DD FORM 1 DEC 70 173 REPLACES DD FORM 173, 1 JUL 68, WHICH WILL BE USED.

1. BY THE COMMAND OF HIS IMPERIAL MAJESTY, SHAHANSH ARYAMEHR, THE SUPREME COMMANDER, I AM AUTHORIZED TO INFORM YOU THAT DUE TO THE INTERFERENCE OF MR. ABOLFATH MAHVI IN THE PROCUREMENT OF DEFENSE SYSTEMS AND REQUIREMENTS FOR THE IMPERIAL IRANIAN ~~AIR FORCE~~ Armed Forces FROM U.S. INDUSTRIES, HIS NAME SHOULD BE PUT ON THE BLACK-LIST. I HAVE BEEN ORDERED TO MAKE ALL NECESSARY ARRANGEMENTS TO TERMINATE HIS ACTIVATIES. HE HAS NO RIGHT AND/OR AUTHORITY WHATSOEVER TO INTERFERE, UNDER ANY NAME OR COVER, WITH THE DEFENSE PROCUREMENT FOR THE IMPERIAL IRANIAN ARMED FORCES.

2. I WOULD APPRECIATE IT IF THE HONORABLE SECRETARY WOULD MAKE ALL POSSIBLE EFFORTS TO ADVISE U.S. COMPANIES AND INDUSTRIES THAT THE MINISTRY OF WAR OF THE IMPERIAL GOVERNMENT OF IRAN WILL NOT SIGN ANY CONTRACT IF THIS MR. ABOLFATH MAHVI, UNDER ANY NAME OR TYPE OF ARRANGEMENT WHATSOEVER, IS CONNECTED WITH THEM.

3. WITH WARM REGARDS AND HIGHEST PERSONAL ESTEEM.

SINCERELY,

GENERAL H. TOUFANIAN

VICE MINISTER OF WAR

UNQUOTE.

2.(C) GEN TOUFANIAN ALSO REQUESTED ME TO INFORM ALL IN-COUNTRY U.S. DEFENSE ORIENTED CONTRACT REPS OF THE GOI ACTION ON MAHVI. IN ADDITION, TO ADVISE THEM IN THE STRONGEST TERMS OF THE GOI'S STAND ON THE USE OF AGENTS AND/OR INDIVIDUALS/COMPANIES, WHATEVER THEIR GUISE, BEING PAID COMMISSIONS, ETC. ON DRAWING MILITARY PROCUREMENTS. SINCE MY ASSIGNMENT TO IRAN, I AND MY

STAFF HAVE IN VERY STRONG TERMS IN ALL U.S. ~~CONTACTS OR~~ contractor MEETINGS EMPHASIZED THE STATED POSITION OF THE GOI IN RESPECT TO AGENTS. HOWEVER, I WILL TAKE NO ACTION ON GEN TOUFANIAN'S REQUEST, EITHER BY CALLING A MTG OR SENDING WRITTEN NOTIFICATION TO LOCAL CONTRACTORS UNTIL I RECEIVE YOUR GUIDANCE, RECOGNIZING THIS IS THE FIRST TIME WE HAVE BEEN CALLED UPON TO PUBLICLY IDENTIFY AN INDIVIDUAL. I DO HOWEVER BELIEVE THERE WOULD BE POSITIVE BENEFIT IN BRINGING THE SPECIFICS OF THIS SUBJ TO THE LOCAL REPS. IN THE PAST, IT HAS APPEARED THAT MANY LISTENED, BUT FEW BELIEVED. WE ARE ALSO TOUCHING BASE WITH APPROPRIATE EMBASSY OFFICIALS TO DETERMINE THEIR VIEWS IN THIS REGARD, AS IT DOES SPILL OVER INTO OTHER GOI MINISTRIES, AS WELL AS, COMMERICAL ~~CONTACTS~~ contracts

3. (U) YOUR ADVICE AND GUIDANCE WILL BE APPRECIATED.

GDS 31 DEC 81

JOINT MESSAGEFORM

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BOOK NO

MESSAGE HANDLING INSTRUCTIONS

FROM: CARMISH MAAG TEHRAN IRAN //ARCG//

TO: SECDEF WASH DC //DSAA//

Seen by POL - HM Charge AMB

CONFIDENTIAL SPECAT EXCLUSIVE

PERSONAL FOR LTGEN FISH FROM MG BRETT

SUBJ: Agents' Fees

1. (C) On 8 July 75, MGen Brett met with Gen Toufanian, Vice Minister of War, in a very lengthy meeting which was almost exclusively devoted to the problems involving US firms' use of agents in connection with contracts for Iranian military procurement. Much of which follows was directed to be furnished to DOD officials by Gen Toufanian.

2. (C) Gen Toufanian, immediately after Brett's arrival, began to discuss the subject of agents and agents' fees. His attitude throughout was extremely serious and most firm. It was completely obvious that this is a subject of great and grave importance to HIM and the GOI and what Brett was being told was cleared by HIM. Gen Toufanian began by stating HIM is not against free enterprise or a free business environment but is definitely and most positively against any commissions and/or extra fees being paid on defense procurement. Gen Toufanian stated this is a "holy concept" expressed by the Shah that

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FROM:

TO:

defense procurement which involves national security must be totally free of any payments and/or monies that are not directly attributable to the actual defense procurement. He stated that no individual must make or take extra money from defense procurement. Unfortunately, he added, there are many examples where individuals have been paid large sums in extra fees on defense contracts, both direct commercial contracts and under FMS. Gen Toufanian stated, the actual money involved is not all that important but the principal involved is exceedingly important. In this vein, the recent decisions by the Shah, specifically that in respect to Mr Mahvi, reported by two separate cables 081333Z July 75 and 081535Z July 75, is comparable to those decisions made by the Shah when he established the White Revolution. These decisions must be viewed as a positive "warning" to all involved defense contractors.

3. (C) Gen Toufanian then showed Brett specific examples of reproduced copies of documents wherein large fees were paid to individuals

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and/or companies by defense contractors and involving US firms. He showed Brett two cancelled checks paid by Grumman to the Lavi Brothers, one for $2.9 million and the other for $3.1 million; and a signed memorandum which a hasty glance clearly indicated it was a fee paid in relation to the sale of the F-14's to Iran. Although Brett did not have the opportunity to closely scrutinize these checks and supporting memorandums accommodating the checks, he did capture one date, which was 25 April 1974--obviously subsequent to the instructions contained within the ASPERS. Gen Toufanian stated that Grumman had paid out fees of approximately $24 million and that he was insisting that Grumman pay the GOI $28 million, the excess $4 million being in form of a penalty and/or to cover fees not yet identified.

4. (C) He then commented on and showed documents in connection with Northrop's activities, stating that Northrop had paid Mr Mahvi $1.6 million as a contract cancellation fee and had paid him as an agent for Northrop in Iran approximately $450,000. Therefore,

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Toufanian was insisting that Northrop pay the GOI $2.2 million, ding that, although this was not the total sum, he had rounded it ff. He stated that after the agents' situation had been brought the attention of Northrop President Jones, Mr Jones had made a sitive effort, after discussions with the Court Minister, Mr Alam, d Gen Toufanian, to terminate Northrop's relationship with Mr hvi. This Gen Toufanian considers to be to the credit of Northrop. wever, Grumman, even after being warned by Gen Toufanian and hers (COMMENT: We in the MAAG have also brought this to the ttention of Grumman and other companies prior to April 74), went head and paid to the Lavi Brothers these vast sums of money. He und this to be inexcusable and in violation of our laws, as well theirs.

(C) Gen Toufanian then showed Gen Brett letters that had been itten by him to the Prime Minister in 1972 blacklisting the Lavi others, emphasizing that, in spite of this, as late as the spring

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of 1974, Grumman had entered into a contract with the Lavi Brothers. He waved the contract that Grumman had with the Lavi Brothers in front of Brett. Brett did not have the opportunity to look at the contract. In so doing, Gen Toufanian stated that this was not a contract between businessmen but is a surrender document with Grumman surrendering to the Lavi Brothers.

6. (C) Gen Toufanian stated that in his relationship with both Grumman and Northrop he had emphatically informed them that he, as the VMOW, was the sole representative of the GOI to the USG and defense contractors, but obviously these companies did not accept his position and proceeded to work through agents. He said the agents cannot lose, as they enter into a contract with a US firm and if the firm gets the bid, then they are paid off, if they don't get the bid, the agents lose nothing. He said in the past, and clearly indicated he has positive proof, agents have used false identities to establish relations with American firms. He gave several examples, among which was an

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ample wherein an agent went to a foreign country, taking an identified Iranian, then presenting the Iranian as Gen Toufanian, th the pseudo Gen Toufanian stating that it would be wise for the mpany to hire the agent as their representative in Iran. He ntinued, this even happens in Iran, when company reps staying at the ilton Hotel are contacted by agents who state they will introduce he company reps to Gen Toufanian and even secure audiences with the hah. Gen Toufanian showed Gen Brett a memo written by a German rep dentifying an Iranian agent who stated that he would secure a meeting with Gen Toufanian and an audience with the Shah. Gen Toufanian stated emphatically that he had never had anything to do with he Iranian agent.

(C) Gen Toufanian stated he wanted to make it clear that while m American companies were receiving publicity and that the focus emed to be on them, this also held true for commercial firms presenting other countries in the world, specifically identifying rmany, France, Britian, and Belgium. He stated again that the

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FROM:

TO:

Shah is not against correct, free business practices but will not tolerate corrupt, crooked practices in defense procurement. This "holy concept" applies to everyone and all will be treated the same.

8. (C) Gen Toufanian then requested Brett to call in all the local US defense contractor representatives and inform them that Mr Mahvi had been blacklisted and describe to them in detail the position of the Shah (COMMENT: Prior to such an undertaking, this will be carefully coordinated with the Embassy and OSD).

9. (C) Gen Toufanian also specifically asked that Gen Brett request OSD to carefully review the SPRUANCE (DD963) contract to insure that no agents' fees, commissions, etc. are involved, and that the companies involved be required to sign an affidavit furnished by his office to this effect.

10. (C) Discussions with local reps of US firms over the past few days have clearly indicated the subject of agents' fees and/or commissions has been the main thrust of Gen Toufanian's meetings

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TO:

ith them. It is totally obvious that the Shah is on a very strong nd serious crusade to eliminate any corrupt practices and/or nything that smacks of corrupt practices in defense procurement. s mentioned at the outset, Gen Toufanian clearly wanted Brett to ass this info to Washington, and so stated. In a very brief meeting ith Gen Toufanian the afternoon of 8 July in the SCS building, Gen oufanian again requested Brett to pass on the comments he made to shington. Gen Brett said he would, with Gen Toufanian responding did not wish to review Gen Brett's message, but to send it on sed on Brett's interpretation of his remarks.

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19-8-11

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July 13, 19

The Ambassador
THRU : DCM - Mr. Miklos
THRU : POL - Mr. Mills
POL/M - H. Precht

Agents' Fees

You asked for a summary of the DOD report on FMS agents' fees and the Ernst & Ernst report on Northrop. The following gleanings pertain to Iran:

DOD Report

The DOD report is based mainly on USAF contracts and is definitely not complete, even for Air Force business. It does show the following significant items:

Philco Ford paid Kashfi fees of $3 and $1.4 million for radar contracts in 1969. The company also paid him $144,000 for a 2-year consultancy beginning in 1970.

Westinghouse paid only very small fees in connection with their IIAF business. This does not accord with the common local wisdom.

Bell is said to have paid an unknown agent a total of $489,000 ($1,000 per helicopter) for the 1973 sale. This rate, I believe, was negotiated with the GOI after it objected to an "unreasonable" percentage fee.

McDonnellDouglas possibly paid an undetermined fee to a Mr. Laven, a retired USAF officer who lives in Israel and handles the company's business there.

Thiokol is said to have paid $74,000 to a Mr. Bonorgmehr and $58,000 to a Mr. Shahan. I do not know them.

Litton paid $121,000 to Management & Technical Services Ltd. (Mahvi) on a 1973 contract. I hear that Mahvi has told Litton that "nothing has changed", despite Toufanian's black-listing action.

Lockheed apparently paid Jim Zand $1 million on the $30 million P-3 sale of 1973.

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Northrop is reported to have promised Mahvi 1.5 percent of the $50.3 million F-5E sale.

Ernst & Ernst Report

I have clipped interesting portions of the report that you might wish to peruse. Some assertions pertaining to Iran follow:

The Economic & Development Corp., a mysterious company set up in Switzerland by Frank DeFrancis to promote F-5E sales worldwide, was eligible for a $1.1 million "discretionary commission" for the Iran aircraft sale. "Other agents" (presumably Mahvi) were eligible for $2.7 million on that sale. TVJ's note on the EDC contract states "I trust this is in order. I can't recognize the signature but I guess it's one of those European lawyers who is president."

The unsigned contract with Prince Sharan (known as PCP in the report) is described as an arrangement with a private businessman, not a GOI official. For his services to the IMTS consortium he was paid $1.125 million, of which Page's share was $705,000. Payments were apparently made to a numbered Swiss bank account.

Mahvi's Management & Technical Consultants Co., Ltd. (Bermuda) was paid $150,000 yearly on a 3-year contract beginning August 1, 1971. In addition, other Northrop agreements with this concern provided commissions totalling $2.2 million for 3 years ended December 31, 1973. When the GOI banned agents, Northrop sought to buy off Mahvi with $1.3 million. The deal is apparently still subject to negotiation. Generals Khatami and Khademi are said to be members of the Mahvi group. Mahvi formerly owned 51 per cent of IACI, but was bought out by Toufanian. Khatami and Khademi were blind stockholders in that arrangement. Jeff Kitchen is said to have implied that Mahvi was useful on the F-5E sale because Iran increased its buy of F-5s from 36 to 146, even though Iran was also buying F-4s. An unsigned, undated memorandum quotes Mahvi as stating that "General Khatami, who is part of his group, moved the (F-5E) sale along the lines it is now on, based upon his understanding from Mahvi that he would participate in such a commission. The fact of the matter is that the sale was not proceeding and now is."

Shaheen Aghayan is said to have received "special payments" of $15,000, $50,000 and $16,000 1971-1973.

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Page reportedly paid $15,000 1971-1972 to a consultant named Bijan. This may be IIAF Colonel Bijan, who was notorious for taking payments prior to his movement last year to another position.

General Jablonsky is said to have travelled to Switzerland and passed out Page's commission ($660,000) to unnamed persons in a hotel room. He also opened a Swiss account for the Corporation.

cc:
Major General Brett
Mr. Callahan
MR. WESTLEY

POL/M:HPrecht:mjl

TO WHOM IT MAY CONCERN:

By the Command of His Imperial Majesty, Shahanshah Aryamehr, the Supreme Commander, I am authorized to state that, due to the interference of Mr. Abolfath Mahvi in the procurement of defense systems and requirements for the Imperial Armed Forces from United States industries, his name should be put on the black list. I have been ordered to make all necessary arrangements to terminate his activities. He has no right and/or authority whatsoever to interfere, under any name or cover, with the defense procurement for the Imperial Iranian Armed Forces.

I would like United States companies and industries to be notified that the Ministry of War of the Imperial Government of Iran will not sign any contract if Mr. Abolfath Mahvi, under any name or arrangement whatsoever, is connected with such a contract.

APPROVED:

H. Toufanian

General H. Toufanian
Vice Minister of War

10 JULY 1975
DATE

file agent

19-8-11

HEADQUARTERS
UNITED STATES MILITARY MISSION WITH IRANIAN ARMY
AND
UNITED STATES MILITARY ASSISTANCE ADVISORY GROUP TO IRAN
APO NEW YORK 09205

Office of the Chief

30 JUL 1975

MEMORANDUM FOR: GENERAL HASSAN TOUFANIAN
VICE MINISTER OF WAR

SUBJECT: Status of Mr. Abolfath Mahvi

Mr. Precht and I believe the attached memorandum is consistent with our discussions on 29 July 1975. If you approve I will immediately furnish copies to Mr. Precht to ensure a wide distribution amongst U. S. contractors.

DEVOL BRETT
Major General, United States Air Force
Chief, ARMISH-MAAG

Attachment
as

19-8-11

Tehran, Iran

July 31, 1975

OFFICIAL-INFORMAL
CONFIDENTIAL

Byron B. Morton, Esquire
NEA/IRN
Department of State
Washington, D. C. 20520

Dear Byron,

Sweeping up behind Stanley Escudero, we discovered your letter to him of January 30 requesting information on Abolfath Mahvi and his associates. Judging from Charlie Naas' letter to Jack Miklos of July 24, 1975, you have acquired a good idea of Mr. Mahvi's activities from the Ernst & Ernst report. (We have a copy here by the way.)

Mahvi, whom I have never met, is described as a man in his 50s who is extremely intelligent and well connected, allegedly with lines reaching to Generals Khatami and Khademi (Iran Air). He has a number of enterprises in Iran and I certainly do not know about all of them. As we recently cabled, ISIRAN has been taken over by IEI. Mahvi's nuclear enterprise, INECO, is said to be involved in the sale of German reactors. Mahvi apparently got his start in the oil business, but seems to have no major activity at present in that area.

I do not know whether you have seen the enclosed MAAG cable which we asked be passed to the State Department. When I discussed Mr. Mahvi with General Toufanian on July 29, he indicated that some 17 American companies had ties to him. He started off naming Rockwell, Litton and GE, but did not finish. The relationship with Northrop, of course, is well known. We are trying to get a "To Whom It May Concern" statement from Toufanian along the line of his letter to SECDEF.

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If successful, I will mail you copies for distribution to your business callers, as appropriate.

Mr. Manavi, whom you mentioned in your letter, is a 30ish, very bright member of Mahvi's staff who has just resigned as manager of ISIRAN. I understand he will assume direction of Mahvi's remaining enterprises in Iran. Both he and his boss are currently on extended vacations in Europe. Shaheen Agayan, whose name appears in the Ernst & Ernst report, is a successful lawyer with access to the Prime Minister and other senior GOI officials. He is also a friend of many Embassy personnel. Agayan represents a large number of American companies here. His wife was recently elected as one of the Rastakhiz Armenian Majles deputies.

We have no indication that any of the three people mentioned above have suffered any actual financial loss or other ill effects as a result of the Northrop case. Mahvi told one of his American clients that "nothing had changed," but that may have been self-serving and nothing more. It seems quite clear that the GOI is going to preclude Mr. Mahvi from getting any new business related, at least, to defense sales.

Sincerely,

Henry Precht
First Secretary

Enclosure:
MAAG Cable

Dec 30, 1975

file agents fees

IES NEWS No.64

19-8-11

Business

ANOTHER MULTI-NATIONAL SCANDAL EXPOSED

The week saw another scandal involving a multi-national company and tens of millions of dollars exposed by the daily Kayhan. (Cf. FYI No.62, December 28,1975)

Kayhan carried the following report on Saturday, 27 December, 1975: Efforts by an American company to swindle Iran to the amount of $28 million were foiled by the Ministry of War. The company is Grumman, which has an Iranian order for a number of its F-14 Tomcats.

In September, 1973, the Iranian Government begun negotiations with Grumman directors for the aircraft. At that time the company officials informed the Iranian representatives that they wished to appoint a Capt. Pollard, who had previously worked in the US Embassy in Tehran, as their representative in Iran, but the Iranian officials immediately told them that he had been expelled from Iran, and in any case Iran will not accept any middle man , broker or agent in its deals.

The Iranian authorities also immediately notified Mr. James Schlesinger, the then US Secretary of Defence, of this matter, asking him for a special clause in the general agreement for arms sale to Iran forbidding any payment to third parties as commission or brokerage, etc. This was added as clause 9. Under its own military sales programme, the U.S. Government required sellers to notify it of any payments they made in excess of $1 million, whereas Grumman had given no such information to the US Government.

Despite all this, it was recently rumoured that Grumman had paid a commission of $28 million to two Jewish brothers called Parviz Levi and Mansour Levi. General Hassan Toufanian, Vice Minister of War, upon hearing this rumour, immediately reported the matter to the authorities concerned and once again asked the U.S. Department of Defence to investigate the matter. The Chairman of the Board and President of Grumman were called to Tehran for explanations and they admitted having paid this sum, but claimed that this sum had not been paid out of Iranian government funds. The Grumman Chief Executive in the U.S. issued a statement also claiming that the amount did not involve any cost to the Iranian Government but this was unacceptable to the Iranian authorities because Grumman is not a charity organisation to give $28 million to two persons even though they had no contact with Iran and in fact their entry was banned.

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(Another Multi-National Scandal - contd.)

Ironically, while this illegal deal was being made between Grumman and the Levi brothers, Grumman was on the verge of bankruptcy and the Iranian government was paying it a loan of $75 million at commercial rates to save the company. In view of this, the Iranian Government demanded this sum to be returned by Grumman. But meanwhile it was learned that the Levi brothers had sold the contract to another person called Feuge (?) who wrote to the Ministry of War admitting that the agreement had cost $28 million.

Grumman executives who had probably pocketed at least a substantial part of this amount themselves finally agreed to refund the Iranian Government, but asked that the amount be spent on purchase of spares from their company. The Iranian Government rejected this request and demanded immediate cash payments adding that otherwise the sum would be deducted from future payments.

It is interesting to note that the Grumman-Levi "agreement" is dated November 1972, almost a year before Iran raised the possibility of buying the aircraft, but this "agreement" was notarised in New York only in February 1974 - a year after the aircraft sale contract was signed. This clearly showed the existence of a swindle and an attempt by Grumman executives to illegally pocket huge sums and cheat the governments of Iran and the U.S.A. at the same time cheating their own company shareholders. It is not clear whether Grumman, which also sells arms to the U.S. Government, commits similar swindles in its own deals with that government.

According to the Grumman chief executive, prominent Iranian authorities had made it clear to him that no commission or bokerage should be paid concerning any deals with Iran. His statement adds that according to his arrangements, there were no payments whatsoever involving Iranian government officials, employees or representatives.

Informed sources in Tehran state that the U.S. Government extended every cooperation to the Iranian Government in the investigations leading to the exposure of the Grumman scandal. The Grumman executives have admitted in writing to such illegal payments and that they should refund the amount.

The Grumman swindle brings to mind a swindle by the executive of the American Northrop-Page Company exposed some time ago and involving payment of $ million in commission which was subsequently deducted by the Iranian Government.

-8-

سند شماره ۱۱

از: سازمان معاونت تسلیحاتی وزارت جنگ

به: جناب آقای نخست وزیر

وزارت جنگ

تاریخ

شماره ۳۳-۷۹-۰۱

پیوست

موضوع: جلوگیری از فعالیت واسطه ها در امور معاونت تسلیحاتی خرید های وزارت جنگ

پیرو شماره: ۱۴-۷۹-۰۱-۰۰-۱۴۰۱ مورخ ۵۴/۱۰/۲۴

عریضه آقای ابوالفتح محوی مبنی براینکه بهیچ عنوان در معاملات وزارت جنگ ونیروهای مسلح شاهنشاهی دخالت نشاهد درتاریخ ۵۴/۱۲/۷ ازشرفعرض پیشگاه مبارک اعلیحضرت همایون شاهنشاه آریامهربزرگ ارتشتاران گذشت و - تصویب فرموده اند که نامبرده بالا ازلیست سیاه خارج شوند ۰ ٪

جانشین وزیرجنگ. ارتشبد حسن طوفانیان

19-8-11

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR (41 CFR) 101-11.6
UNITED STATES GOVERNMENT

Memorandum

CONFIDENTIAL

: The Files

DATE: January 19, 1976

OM : POL/M - H. Precht

BJECT: Lunch with Hushang Dehesh

On January 15, the frequently well-informed and always ego-motivated and opinionated Dehesh had the following to say.

Grumman Agents Problem. Dehesh said the association of the Lavi brothers and Dr. Fugge, to which he also added the Fouladi brothers in Tehran, was really a front for other persons. His information was that the $24 million was eventually to go to Mahvi and from Mahvi to General Khatami. When in November 1973 Mahvi openly accompanied Khatami on a tour of U.S. defense contractor facilities, Grumman was convinced that it had to do business with him in order to assure the F-14 sale and save the near-bankrupt company. I told Dehesh that I had heard rumors that Prince Sharam was behind the Lavi brothers. Dehesh dismissed that story and said that Grumman had admitted to Toufanian that Mahvi was the real recipient of the agents commission.

GTE. GTE had promised Parviz Busheri, Princess Ashraf's brother-in-law, 2½% commission on the billion dollar switching contract. Busheri, who was the Knorr Furniture Company representative and a very able businessman, was important to GTE, not because of the Ashraf connection, but because he was "Court jester" and a good friend of the Shah. The GOI had told GTE they would not allow any agents fees in the contract for GTE. (Up to this point, Dehesh's story is corroborated by other sources.) Because the money to Busheri was intended to pay off working-level officials in the Ministry of PTT, GTE's failure to make that money available was resulting in delay on the contract. If GTE did not put up the money the contract would not be signed. It would take intervention by the American Ambassador with the Shah to get the contract signed.

General Toufanian. (Because Dehesh has not forgiven Toufanian for having fired him, everything he says about the General should be taken with a grain of salt.) Toufanian would meet his downfall very shortly when he moves into his new house, a "palace with a 28,000 square foot roof near National University" which is now being completed. Toufanian was

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5010-110

relatively clean on procurement business, but had arrangements with Indian suppliers of steel to make something on the side in his arms production capacity. Dehesh also suspected that Toufanian had added 7% to the French patrol boat deal for his own benefit. He seemed very confident that Toufanian would fall from favor, but that it would not be a public scandal such as the IIN because of the General's close identification with the Shah. He said that Toufanian had recently been severely criticized because wrong spares (B model vice A model) were provided for the 747's purchased from TWA. (ARMISH/MAAG and Boeing say there was a small problem, no major scandal.)

Agents Fee Publicity. The main reasons why the Shah was particularly hard on agents were:

1. His intense desire to protect his good name and that of his regime from any international criticism; and

2. The financial squeeze which meant that the GOI could no longer afford to see large sums of money siphoned off to agents. That was in part the reason for Attaie's downfall.

The Financial Squeeze. Azize Farmanfarmaian's firm, with a huge backlog of construction orders, had built up its staff in recent months. Because the GOI refused to make any payments, the firm was virtually bankrupt, and Farmanfarmaian had been shipped out of the country to preserve his mental health. Dehesh thought it would be a good thing if the financial squeeze resulted in a cutback in military orders which the country could neither afford nor sensibly use. He also looked forward to greater order in General Toufanian's operation when General Massumi took charge. He thought many projects might have to be postponed or cancelled. The two that most certainly would not be cancelled because they were close to the Shah's heart were Chah Bahar development and nuclear reactors.

As a footnote, Dehesh said he had heard that the Central Bank had reached a decision that Iran would not borrow money to make up for the shortfall in oil revenues.

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19-8-11

R155
D W102 33
TEHRAN - GRUMMAN IRAN [redacted]
THE GENERAL DISPLAYED TWO GRUMMAN CHECKS FOR 6 MILLION DOLLARS WHICH HE SAID GRUMMAN SUPPOSEDLY HAD PAID THE LAVIS AND A PERSON IDENTIFIED AS [redacted] OF NEW YORK FOR THE SALE OF 80 F14 FIGHTERS.
THE GRUMMAN SPOKESMAN SAID TUESDAY THAT 6 MILLION DOLLARS HAD ALREADY BEEN PAID TO WHAT HE CALLED SALES REPRESENTATIVES, AMERICANS WORKING IN TEHRAN, BUT THAT EFFORTS WERE BEING MADE TO GET IT BACK.
GRUMMAN CHAIRMAN JOHN C. SEERWORTH SAID THE FIRM AND IRAN HAD AGREED THAT DISTRIBUTION OF THE 28 MILLION DOLLARS WAS NOW A LEGAL MATTER. HE SAID GRUMMAN WOULD COMPLY WITH ITS LEGAL OBLIGATIONS WHEN THE CASE WAS SETTLED.
TOUFANIAN CHARGED THAT IN FEBRUARY 1973 GRUMMAN SIGNED AN ESCALATORY AGREEMENT WITH THE LAVIS FOR COMMISSION PAYMENTS FOR THE SALE OF PLANES TO IRAN RANGING FROM 1 PER CENT TO 21 PER CENT.
HE ADDED THAT AN AGREEMENT FOR THE PURCHASE OF F14S WAS SIGNED IN 1974 AND IN THAT AGREEMENT IT WAS SPECIFIED THAT NO COMMISSION SHOULD BE PAID TO ANYONE SINCE THE DEAL WAS CLOSED DIRECT AND WITHOUT ANY INTERMEDIARY.
TOUFANIAN SAID THAT IN APRIL 1975 HE WAS ADVISED THROUGH FRIENDS OF A QUARREL OVER THE COMMISSION SPLIT.
THE GENERAL SAID HE REPORTED THE CASE TO THE U.S. DEFENSE DEPARTMENT AND THAT CONSEQUENTLY TWO GRUMMAN DIRECTORS FLEW TO TEHRAN AND ADMITTED THAT THE COMMISSIONS WERE PAID, ALTHOUGH DURING [redacted] THEY REPORT THAT NO AGENTS WERE INVOLVED IN [redacted]

[redacted] FEB 76

19-8-11

ZNR UUUUU ZZH UNCLASSIFIED CN 2214
ACTION P 190009Z FEB 76 Feb 22, 76 - 1144
POL/M-3 FM SECSTATE WASHDC
TO RUQMHR/AMEMBASSY TEHRAN 0329
INFO INFO RUSNAAA/USCINCEUR
BT
UNCLAS T STATE 039427

E.O. 11652: N/A

TAGS: MILI, IR

SUBJECT: GRUMMAN AGENT PROBLEM

REF: TEHRAN 1562

1. FOLLOWING ARE EXCERPTS FROM NEWSDAY FEBRUARY 15 ARTICLE. WE HAVE OMITTED EXTENSIVE REHASH OF PREVIOUSLY PUBLISHED MATERIAL.

2. "THE IRANIAN AGENT WHO CONTRACTED WITH GRUMMAN INTERNATIONAL FOR 28 MILLION DOLS IN COMMISSIONS TO PROMOTE THE SALE OF F-14 FIGHTERS TO IRAN HAS CHARGED THAT HE WAS FORCED TO TURN OVER THE BULK OF THE COMMISSIONS TO A MAN WHO CLAIMED TO BE ACTIN ON BEHALF OF TWO HIGH-RANKING OFFICIALS OF THE IRANIAN GOVERNMENT.

'THE AGENT, INTERVIEWED SEVERAL TIMES OVER THE PAST SIX WEEKS BY A NEWSDAY REPORTER, IS HOUSHANG LAVI, AN IRANIAN NATIONAL WHO MAINTAINS AN OFFICE IN PLAINVIEW. LAVI PROMOTED GRUMMAN'S INITIAL SALE OF 30 F-14S TO IRAN IN JANUARY, 1974. A SHORT TIME LATER, LAVI SAID, HE WAS CONTACTED BY ANOTHER SALES AGENT WITH IRANIAN CONNECTIONS. THE AGENT TOLD LAVI

THAT HE WAS TAKING OVER 66 PER CENT OF LAVI'S PAST AND FUTURE COMMISSIONS ON SALES OF GRUMMAN F-14S TO IRAN.

'LAVI SAID THAT HE AGREED TO THE ARRANGEMENT IN APRIL, 1974, BECAUSE HE WAS CONVINCED THAT THE NEW AGENT WAS ACTING ON BEHALF OF TWO TOP IRANIAN GOVERNMENT OFFICIALS. THEY WERE IDENTIFIED AS GEN. HASSAN TOUFANIAN, VICE MINISTER OF WAR, AND THE LATE GEN. MOHAMMED KHATAMI, BROTHER-IN-LAW OF THE SHAH OF IRAN AND HEAD OF IRAN'S AIR FORCE.

'THE NEW AGENT, ALBERT J. FUGE, WHO IS AN AMERICAN, PRODUCED IMMEDIATE RESULTS FOR GRUMMAN. IN THE COURSE OF TWO MONTHS, IRAN HAD COMMITTED ITSELF TO BUY 50 MORE F-14S FROM GRUMMAN.

' THIS SALE CAME AS A SHARP SURPRISE IN WASHINGTON. JUST BEFORE FUGE TOOK OVER FROM LAVI, TOUFANIAN HAD SECRETLY ADVISED U.S. OFFICIALS ON BEHALF OF THE SHAH THAT HIS GOVERNMENT WAS NEXT GOING TO BUY MCDONNELL DOUGLAS F-15S--NOT GRUMMAN F-14S. THE TEXT OF THIS ADVISORY IS IN NEWSDAY'S POSSESSION. ...

UNCLASSIFIED

'...PETER B. ORAM,PRESIDENT OF GRUMMAN INTERNATIONAL, ... HAS REPEATEDLY DENIED ANY KNOWLEDGE THAT EITHER LAVI OR FUGE MAY HAVE FUNNELED COMMISSION MONEY BACK TO IRANIAN GOVERNMENT OFFICIALS. ORAM SAID HE WAS AWARE OF THE SWITCH OF COMMISSIONS FROM LAVI TO FUGE. ...

'...THROUGHOUT THE INVESTIGATION INDICATIONS HAVE EMERGED THAT AT LEAST SOME HIGH-RANKING IRANIAN OFFICIALS WERE AWARE FOR TWO YEARS THAT LAVI AND THEN FUGE WERE COMMISSION AGENTS FOR GRUMMAN. YET THERE WAS NOT EVEN A PRIVATE PROTEST UNTIL LAST JUNE, WHEN AGAINST THE BACKGROUND OF CONGRESSIONAL PROBES OF U.S. CORPORATIONS DEALING WITH FOREIGN GOVERNMENTS, IRAN SUDDENLY COMPLAINED ABOUT GRUMMAN'S USE OF AGENTS.

'NEWSDAY'S INVESTIGATION HAS REVEALED:

--A COPY OF THE CONTRACT BETWEEN LAVI AND FUGE SHOWS THAT LAVI TURNED OVER THE BULK OF HIS INTEREST TO FUGE. THE CONTRACTS WERE ENDORSED BY GRUMMAN AND DATED SHORTLY AFTER GRUMMAN WAS INFORMED THAT LAVI WAS NO LONGER ACCEPTABLE AS AN AGENT, ALTHOUGH ANOTHER PERSON WOULD BE.

-- DESPITE IRAN'S CONTRACTUAL PROHIBITION OF COMMISSION AGENTS, A HIGH-RANKING IRANIAN OFFICIAL INDIRECTLY TOLD GRUMMAN EARLY IN 1974 TO STOP USING LAVI BUT RAISED NO OTHER PROTEST. IN JUNE 1975, TOUFANIAN GAVE GRUMMAN OFFICIALS

GOVERNMENTAL DOCUMENTATION ON WHY IRAN HAD BLACKLISTED LAVI. HE SUGGESTED THAT GRUMMAN STOP USING AGENTS, BUT THERE IS NO INDICATION THAT HE SAID GRUMMAN HAD VIOLATED ITS CONTRACT, OR THAT HE DEMANDED THE 28 MILLION DOLS IN COMMISSION MONEY.

--A CORPORATION OF WHICH FUGE IS CHAIRMAN AND CHIEF EXECUTIVE, EFC INTERNATIONAL, INC., SHARES A MANHATTAN OFFICE AT 33 WORTH STREET, AND A PHONE NUMBER, 431-4450, WITH THE IMPERIAL IRANIAN AIR FORCE PURCHASING MISSION. ... FUGE HAS DENIED FUNNELING ANY COMMISSION MONEY BACK TO KHATAMI OR TOUFANIAN, ALTHOUGH HE ADMITS KNOWING THEM. ...

'THE BYZANTINE ROAD FROM GRUMMAN'S BETHPAGE HEADQUARTERS TO THE HIGH-STAKES ARMS DEALING IN TEHRAN BEGAN ALMOST IN THE COMPANY'S BACKYARD IN 1972. LAVI, OPERATING OUT OF A PLAINVIEW SPLIT-LEVEL HOUSE, APPROACHED COMPANY OFFICIALS THAT SEPTEMBER AND OFFERED TO HELP SELL THE F-14 TO IRAN. AT THAT TIME GRUMMAN WAS DEEP IN RED INK UNDER ITS STIFF CONTRACT TERMS WITH THE NAVY.

'AT FIRST SKEPTICAL, GRUMMAN OFFICIALS CHECKED LAVI'S CREDENTIALS AND THEN ENTERED INTO A COMMISSION CONTRACT WITH HIM ON FEBRUARY 2, 1973, ACCORDING TO DOCUMENTS. LAVI SAID

HE HAD BEEN A COMMISSION AGENT FOR 24 YEARS AND HAD ABOUT 26 SALES OF U.S. EQUIPMENT TO HIS CREDIT.

'LAVI SAID HE OPENED DOORS TO GRUMMAN AND CLAIMED TO HAVE PROVIDED AN ENTREE TO KHATAMI GROWING OUT OF AN ACQUAINTANCE DATING BACK TO THE 1950S, WHEN THEY PLAYED ON [redacted] SOCCER TEAMS.

'HE MAINTAINED THAT KHATAMI SET THE STAGE FOR SUBSEQUENT BRIEFINGS WITH OTHER IRANIAN AIR FORCE OFFICERS THAT ENABLED THEM TO BECOME FAMILIAR WITH THE CAPABILITIES OF THE F-14, DESIGNED FOR THE U.S. NAVY. ...

'ORAM SAID THAT LAVI MADE "ONE OR TWO INTRODUCTIONS AT THE COLONEL LEVEL...BUT GAVE US THE NAMES OF THE RIGHT PEOPLE TO SEE." ORAM SOUGHT TO CONVEY THE IMPRESSION IN TWO INTERVIEWS THAT LAVI'S CONTRIBUTION WAS MORE IN THE WAY OF PROVIDING LOGISTICAL SERVICES IN HIS HOMELAND TO THE VISITING AMERICANS. BUT WHATEVER LAVI'S ROLE IN SELLING IRAN THE FIRST 30 F-14S IN JANUARY, 1974, ORAM EXPRESSED NO DISSATISFACTION WITH HIS SERVICES TO THAT POINT. ...

'...GRUMMAN OFFICIALS--MAINLY ORAM, RETIRED ADM. ROBERT L. TOWNSEND, CHAIRMAN OF GRUMMAN INTERNATIONAL, AND THOMAS A. BRANCATI, HEAD OF GRUMMAN'S IRAN OPERATIONS--KNEW THEY WERE HEAVY UNDERDOGS FOR A SECOND ORDER.

'IRAN WAS GOING TO MAKE A SECOND FIGHTER PURCHASE, AND IT WAS EXPECTED ON GOOD AUTHORITY TO BE THE RIVAL U.S. AIR FORCE AIR SUPERIORITY FIGHTER--THE F-15 BUILT BY MCDONNEL DOUGLAS.

'A COPY OF THE CABLE SENT AT THAT TIME BY THE U.S. MILITARY ASSISTANCE ADVISORY GROUP IN TEHRAN TO THE U.S. JOINT CHIEFS OF STAFF AND OTHER LEVELS OF GOVERNMENT READS:

"IT IS THE INTENTION ON THE IMPERIAL GOVERNMENT OF IRAN TO PROVIDE FOR THE IIAF (IMPERIAL IRANIAN AIR FORCE):

"30 EACH F-14 TOMCAT, 50 EACH F-15 EAGLE...TOUFANIAN STRESSED THAT HE (HIS IMPERIAL MAJESTY) APPROVED THE CHOICE OF WORDS IN THIS." ...

'ENTER FUGE AND HIS COMPANY, SHAHAM S. A. ACCORDING TO LAVI, FUGE, WHOM HE HAD KNOWN FROM PRIOR DEALINGS, CONTACTED HIM IN THE FEBRUARY OR MARCH, 1974--HE IS NOT CERTAIN EXACTLY WHEN. FUGE, LAVI CONTINUED, SAID HE HAD INSTRUCTIONS FROM KHATAMI AND TOUFANIAN DIRECTING THAT THE COMMISSION CONTRACT BE TURNED OVER TO FUGE'S SHAHAM, WHICH PURCHASED LAVI'S EASTERN INTERNATIONAL COMPANY. LAVI SAID HE WAS PROMISED THAT A TRAVEL AGENCY HE FORMED WOULD HANDLE ALL GRUMMAN TRAVEL BUSINESS. ...

'...FUGE, WHO SAID HE HAD BEEN IN INTERNATIONAL TRADE SINCE 1947, DENIED BEING PART OF ANY INTRIGUE TO GAIN CONTROL OF LAVI'S FIRM AND THE COMMISSION CONTRACT.

PAGE UNCLASSIFIED CO 0214

'HE SAID SHAHAM, WHICH DOES BUSINESS THROUGHOUT THE MID-EAST, WAS INTERESTED IN SELLING EITHER THE F-14 OR THE F-15. ...

'FUGE DENIED "UNEQUIVOCALLY" THAT ANY FUNDS PAID BY GRUMMAN WENT DIRECTLY OR INDIRECTLY TO ANY MEMBER OF THE IRANIAN GOVERNMENT. "NEVER," HE ASSERTED. HE SAID WHEN THE SUBJECT IS INVESTIGATED HE "WILL PROVIDE IT TO EVERYBODY'S SATISFACTION."...
"ORAM TALKED FREELY ABOUT SOME ASPECTS OF THE COMMISSION CONTRACTS, BUT HE REFUSED TO ANSWER OTHER QUESTIONS. HE REPEATEDLY REFUSED TO IDENTIFY THE SOURCE IN IRAN WHO HAD TOLD THE GRUMMAN REPRESENTATIVE THAT LAVI HAD BECOME PER-
- " ;SSIFIED

SONA NON GRATA AS AN AGENT. AND HE REFUSED TO SUPPLY NEWSDAY WITH ANY MEMORANDA OR OTHER COMPANY INVESTIGATIVE DATA DEALING WITH FUGE'S FITNESS TO TAKE OVER THE CONTRACT AS GRUMMAN'S AGENT ON THE F-14 DEAL WITH IRAN.

'IN A LATER INTERVIEW, HE WOULD NOT IDENTIFY WHO FIRST RECOMMENDED FUGE, BUT SAID HE THOUGHT THAT GRUMMAN FIRST LEARNED OF HIM THROUGH BRANCATI, HEAD OF ITS IRANIAN OPERATION. ...

'...THE GRUMMAN OFFICIAL SAID THAT AT A MEETING WITH TOUFANIAN IN JUNE, 1975, THE IRANIAN PROCUREMENT CHIEF ADVISED THE COMPANY TO END ITS ASSOCIATION WITH FUGE AND ANY OTHER AGENTS, BUT DID NOT ASK FOR THE COMMISSION MONEY.

'GRUMMAN THUS FAR HAS PAID OUT 6 MILLION DOLS OF THE TOTAL PROMISED 28 MILLION DOLS IN COMMISSIONS FOR THE 80 IRANIAN F-14S. IT PAID 2.9 MILLION DOLS ON APRIL, 1975, TO FUGE. OF THIS, LAVI SAYS, FUGE PAID HIM 600,000 DOLS. ORAM SAYS THAT ANOTHER 3.1 MILLION DOLS HAS BEEN PAID TO A FIRM NAMED STARLIGHT EXPORT INTERNATIONAL, WHICH INCLUDES LAVI'S BROTHERS, PARVIZ AND MANSOUR, BUT NOT LAVI. THE BULK OF THE MONEY UNDER THE NOW-ABORTED CONTRACT WAS TO GO TO FUGE.

'SHAHAM APPARENTLY HAS ASSIGNED THE COMMISSION CONTRACT TO THE GOVERNMENT OF IRAN. WHAT POWERS OF PERSUASION WERE USED TO GET THE CONTRACT WAS NOT IMMEDIATELY CLEAR. THE IRANIAN EMBASSY, AFTER FIRST PROMISING NEWSDAY FULL COOPERATION, HAS FAILED TO ANSWER ANY QUESTIONS OVER THE PAST TWO WEEKS. ..." INGERSOLL

UNCLASSIFIED

19-8-11
fals agents

February 26, 1976

General H. Toufanian
Deputy Minister of War

As an independent businessman, my involvement in armaments of the Imperial Iranian Armed Forces began with investment and establishment of Iran Aircraft Industries (IACI) with prior permission. After the transferral of IACI, again with prior permission, and on a limited scale, I continued with my business activities in accordance with the laws of our country.

Although for some time, I have not been active, nevertheless, I agree not to undertake any involvements, from this date onward, with the Imperial Iranian Armed Forces business activities.

Abolfath Mahvi

YEZARATE JANG

DEPUTY MINISTRY OF WAR FOR ARMAMENT
SALTANAT-ABAD TEHRAN, IRAN

Telegrams: TASLIHA
Telephones: 921078
Telex: 2703

TO WHOM MY CONCERN ·

FOLLOWING MY COMMUCATION DATED JULY 10,1975

Your Ref: *Our Ref:* 1401-01-79-33 *Date:* 2,MAR,

The petition submitted by Mr. A. Mahvi, declaring that he not involve himself or any of his interests, directly or indirectly the military procurement transactions of the Ministry of War and the Imperial Iranian Armed Forces now or in the future, was submitted to high attention of His Imperial Majesty Shahanshah Aryamehr Supreme Commander on Feburuary 26, 1976.

His Imperial Majesty's approval was granted for the removal of Mr. Mahvi's name from the black list.

Gen. H. Toufanian

H. Toufanian

Vice Minister of War

F 369 MOHMATSAZI

AmEmbassy TEHRAN

ACTION: P/M 3

INFO: AMB 1, DCM 1, EA, POL 2, ECON 2, PM, USIS 1, CONS, OR 2, ADM, GSO, SY, PER, RSO, MSG, FCO, DCRO, CEO, MP, DAO 1, MAAG 2, DREP 1, AGR, DEA, FMWA, IRS, FCTR, FU, CRU 1, DMIR 1, FABR 1, DFA

19/Lw

INCOMING TELEGRAM

CONTROL NO. 16556

DEC 12 1976

CONFIDENTIAL

R 102157Z DEC 76
FM SECSTATE WASHDC
TO AMEMBASSY TEHRAN 5277
BT
C O N F I D E N T I A L STATE 301024

E.O. 11652: GDS

TAGS: MASS, IR, US

SUBJECT: GRUMMAN
REFS: (A) TEHRAN 12219; (B) STATE 300036

1. DEPTOFF CONVEYED INFO CONTAINED REF (A) TO NORMAN PAUL DECEMBER 10. PAUL WAS VERY INTERESTED, BUT FELT THAT LAVIS' SUIT WOULD PREVENT HIM FROM MAKING ANY SUBSTANTIVE RESPONSE AT THIS TIME. HE HAS NO IMMEDIATE PLANS TO VISIT IRAN.

2. PAUL SAID THAT LAVIS' COMPLAINT DOCUMENT, WHICH NEW YORK TIMES REPORTER DID NOT SEE, MAKES NUMBER OF ALLEGATIONS WHICH INVOLVE IRANIANS AND IRANIAN GOVERNMENT. HE FELT THAT WHEN DOCUMENT ENTERS PUBLIC DOMAIN, ANOTHER SERIES OF PRESS ARTICLES IS LIKELY TO FOLLOW. ROBINSON
BT

CONFIDENTIAL

TELEGRAM

1978 OCT 17 AM 7:40

INDICATE
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FROM	CLASSIFICATION
AMEMBASSY TEHRAN	LIMITED OFFICIAL USE

E.O. 11652:
TAGS:
SUBJECT:

ACTION:

ECON-5

AMB
DCM
POL-2
P/M
DAO
CRU

ACTION: SECSTATE WASHDC

LIMITED OFFICIAL USE TEHRAN 10092

E.O. 11652: N/A

TAGS: BDIS, IR

SUBJECT: TRADE DISPUTE - GRUMMAN CORP.

1. MR. BRADFORD WESTON, REPRESENTING MR. ALBERT I. EDELM
OF THE LAW FIRM OF TRUBIN SILLCOCKS EDELMAN & KNAPP, 375
AVENUE, NEW YORK, N.Y. 10022, CALLED AT THE COMMERCIAL
SECTION OF THE EMBASSY ON OCTOBER 10 AND 11 TO DISCUSS
INFORMATION CONCERNING THE LITIGATION BETWEEN THE LAVI
BROTHERS AND THE GRUMMAN CORPORATION.

2. THE FIRM, WHICH REPRESENTS THE LAVI BROTHERS IN THEIR
CLAIM FOR $24 MILLION FROM GRUMMAN, WISHES TO LOCATE RECO
OR DOCUMENTS RELATIVE TO THE CASE, INCLUDING THOSE REFERR
TO COPIES OF DOCUMENTS REPORTEDLY SUPPLIED TO GRUMMAN BY
THE EMBASSY SEVERAL YEARS AGO. THESE INCLUDED COMMUNICAT
INDICATING THE LAVI BROTHERS HAD BEEN BLACKLISTED BY THE
MINISTRY OF WAR.

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	CONTENTS AND CLASSIFICATION APPROV
COMATT:DEWestley:ccm	10/17/78	1123	E/C COUN:JLMi[illegible]

CLEARANCES:

Contributor: P/M:MGreene

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3. EMBOFFS EXPLAINED THAT THE SECTION HAD NO "GRUMMAN FILE", BUT THAT A WORLD TRADE DATA REPORT PERTAINING TO A LAVI FIRM, LAVCO, HAD BEEN PREPARED SEVERAL YEARS EARLIER WHICH DID NOT RECOMMEND THE FIRM AS A BUSINESS CONTACT FOR AMERICAN COMPANIES.

4. A CAREFUL SEARCH OF THE WTDR FILE FAILED TO UNCOVER THIS REPORT, AND IT WAS SUGGESTED THAT DEPARTMENT OF COMMERCE FILES IN WASHINGTON MIGHT TURN UP A COPY. THAT SUCH A REPORT HAD BEEN PREPARED WAS CONFIRMED BY THE FSN WHO HAD DONE IT.

5. SIMILARLY, A SEARCH OF THE COMMERCIAL FILES FAILED TO TURN UP ANY DOCUMENTS OR RECORDS PERTAINING TO THE LAVIS OR GRUMMAN AND IN PARTICULAR TO ANY COMMUNICATION FROM THE MINISTRY OF WAR TO THE EMBASSY OR FROM THE EMBASSY TO GRUMMAN.

6. COMATT WHO HAS BEEN AT POST SINCE NOVEMBER 1974, TOLD WESTON THAT HE HAD NO RECOLLECTION OF RECEIVING OR SENDING SUCH COMMUNICATIONS NOR OF HAVING DISCUSSED CASE WITH GRUMMAN OR GRUMMAN COUNSEL; NOTING AT SAME TIME FLOOD OF VISITORS AND PAPER COMING TO SECTION AT HEIGHT OF IRANIAN OIL BOOM IN 1974-75.

7. IN A BRIEF VISIT WITH POL/MIL COUNSELOR, WESTON ASKED WHETHER POL/MIL FILES HAD ORIGINAL OF 1972 LETTERS RE BLACKLISTING OF LAVI BROTHERS. HE WAS INFORMED THAT SEARCH OF FILES TURNED UP NOTHING RELATED TO THAT

OPTIONAL FORM 152a(H)
(Formerly FS-413(H)a)
January 1975
Dept. of State

SUBJECT. WESTON ALSO ASKED IN GENERAL TERMS ABOUT LOGGING SYSTEM USED.

8. WHEN ASKED ABOUT THE METHOD USED TO LOG RECEIPT OF LETTERS OR CORRESPONDENCE, COMATT EXPLAINED THAT SOME TIME AFTER HIS ARRIVAL DATE STAMPS HAD BEEN OBTAINED FOR THE SECTION TO LOG INCOMING CORRESPONDENCE BUT THAT THE SYSTEM FREQUENTLY WAS HONORED IN THE BREACH. HE EXPLAINED THAT HE COULD NOT SPEAK FOR OTHER PARTS OF THE EMBASSY. COMATT ALSO EXPLAINED THAT ABOUT THE SAME TIME (1977 OR 1976) VISITOR FORMS WERE PREPARED AND USED TO LOG IN NAME, COMPANY, LOCAL ADDRESS, ETC., OF BUSINESS VISITORS, PRIMARILY THOSE WHO HAD MADE PRIOR APPOINTMENTS. VISITORS WITHOUT APPOINTMENTS FREQUENTLY WERE NOT SO RECORDED. HE OFFERED TO LOOK THROUGH THE OLD SHEETS IN AN EFFORT TO LOCATE EVIDENCE OF ANY VISITOR OF SPECIAL INTEREST TO WESTON, BUT EXAMINATION APPEARED TO REVEAL THAT ALL AVAILABLE VISITOR SHEETS WERE 1977 OR LATER.

9. BEFORE DEPARTING, WESTON REQUESTED IN WRITING A WRITTEN STATEMENT FROM COMATT STATING: QUOTE WHETHER THE FILES OF THE COMMERCIAL ATTACHE, U.S. EMBASSY, TEHRAN, IRAN, CONTAIN ANY FOLDERS OR OTHER INFORMATION CONCERNING THE FOLLOWING CORPORATE ENTITIES AND INDIVIDUALS: LAVCO, JANETTE INT'L, STARLIGHT INTERNATIONAL, EASTON INTERNATIONAL, GEDOCO, GRUMMAN CORPORATION, HOUSHANG LAVI, PARVIZ LAVI, JAMSHID LAVI, MANSOUR LAVI. UNQUOTE.

THE WESTON LETTER ALSO REQUESTS QUOTE A FULL DESCRIPTION OF THE SYSTEM THE COMMERCIAL ATTACHE, U.S. EMBASSY, TEHRAN, IRAN USES TO LOG, RECORD, STAMP, OR OTHERWISE MEMORIALIZE THE RECEIPT, DATE, ORIGIN, ETC., OF ALL LETTERS, CORRESPONDENCE, INFORMATION AND OTHER DOCUMENTS RECEIVED BY IT. UNQUOTE.

10. PROVIDED DEPARTMENT HAS NO OBJECTION COMATT PROPOSES REPLY INDICATING THAT BASED UPON A CAREFUL, BUT NOT NECESSARILY EXHAUSTIVE SEARCH, HE HAD BEEN UNABLE TO LOCATE ANY LETTERS, REPORTS, OR FILES CONCERNING THE ENTITIES AND INDIVIDUALS NOTED WITH THE EXCEPTION OF A MEMORANDUM OF CONVERSATION WITH A GRUMMAN EXECUTIVE THAT DID NOT PERTAIN TO ANY OF THE OTHER PARTIES. SECONDLY, A YEAR OR MORE AFTER ARRIVAL AT POST A SYSTEM OF DATE STAMPING INCOMING CORRESPONDENCE WAS INSTITUTED IN THE COMMERCIAL SECTION BUT THAT SOME INCOMING MAIL BY-PASSES THE STAMPING PROCESS. IN ANY EVENT, SUCH STAMPING NORMALLY WOULD NOT APPLY TO COMMUNICATIONS RECEIVED FROM OTHER SECTIONS OF THE EMBASSY. ALSO, NORMAL PRACTICE CALLS FOR THE DESTRUCTION OF INACTIVE RECORDS AFTER TWO YEARS.

11. DEPARTMENT'S COMMENTS AND ADVICE REQUESTED SOONEST.

SULLIVAN

TELEGRAM

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	FROM	CLASSIFICATION
	Amembassy TEHRAN	LIMITED OFFICIAL USE 11028 /9-

E.O. 11652:
TAGS:
SUBJECT: LIMITED OFFICIAL USE TEHRAN 11028

ACTION: ACTION: SECSTATE WASHDC

E.O. 11652: N/A
TAGS: BDIS, IR
SUBJ: TRADE DISPUTE - GRUMMAN

REF: STATE 268454

PM 3
AMB
DCM
POL
OR
ECON 2
CRU

WE HAVE FOUND ADDITIONAL MATERIALS ON SUBJECT IN 1976 POL/MIL FILE ON AGENTS. MOST OF THAT FILE HAS TO DO WITH GRUMMAN, LAVI BROTHERS AND F-14 SALE. INCLUDED ARE ORIGINAL OR COPY OF SOME TOUFANIAN LETTERS ON LAVIS AND A. MAHVI.

SULLIVAN

C

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	CONTENTS AND CLASSIFICATION APPROVED BY:
POL/MIL:MLGreene/bj	11/9		DCM:CWNaas

CLEARANCES:
EQMMx
E/C:DWestley(draft)

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CLASSIFICATION

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OPTIONAL FORM 15
(Formerly FS-41
January
Dept. of

VZCZC *
RR RUEHC
DE RUQMHR #9760 247 **
ZNY CCCCC ZZH
R 041224Z SEP 79
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3606
BT

CLASS: LIMITED OFFICIAL
CHRGE: STATE 9/4/79
APPRV: CHARGE:VLTOMSETH
DRFTD: POL:JLIMBERT:GO
CLEAR: POL:EASWIFT
A/M:GENGAST
DISTR: POL2 CHG ICA
A/M CHRON ECON
RF

LIMITED OFFICIAL USE TEHRAN 09760

E.O. 12065: N/A
TAGS: MASS, IR
SUBJECT: AGENTS FEES

REF: STATE 227721

1. SEARCH OF EMBASSY POLITICAL-MILITARY FILES HAS FAILED TO PROVIDE DEFINITIVE ANSWER TO QUESTION REFTEL. EARLIEST REFERENCE TO PROHIBITION AGAINST AGENTS FEES IN MILITARY SALES IS CONTAINED IN 8/11/73 MEMCON OF MEETING BETWEEN GENERAL TOUFANIAN'S ASSISTANT HOUSHANG DAHESH AND ARMISH-MAAG OFFICIALS. ACCORDING TO THIS MEMCON, DAHESH SAID THAT "GOI WILL NOT ALLOW ANY FEE OR PERCENTAGE ON SALE IN ANY FMS TRANSACTION. THIS RULING APPLIES EVEN IF THE USG FEELS SUCH A COST IS ACCEPTABLE UNDER ASPR RULINGS."

2. ACCORDING TO ARMISH-MAAG MESSAGE 091335Z JULY 1975, GENERAL TOUFANIAN TOLD MGENERAL BRETT THAT SHAH "IS DEFINITELY AND MOST POSITIVELY AGAINST ANY COMMISSIONS AND/OR EXTRA FEES BEING PAID ON DEFENSE PROCUREMENT."

3. EMBASSY FILES CONTAIN NO CLEAR STATEMENT CONCERNING THE FORM OR THE TIMING OF THE PROHIBITION AGAINST AGENTS' FEES. CARMISH-MAAG RECOMMENDS YOUR ASKING DEFENSE SECURITY ASSISTANCE AGENCY (DSAA). DEPUTY DIRECTOR, DSAA, MAY HAVE ADDITIONAL KNOWLEDGE OF FILES OR BACKGROUND OF THIS MATTER.

4. EMBASSY IS SENDING COPIES OF RELEVANT DOCUMENTS BY POUCH TO NEA/IRN. TOMSETH
BT
#9760

NNN

Def 19-8